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FISCAL IMPACT STATEMENT

LS 7824

BILL NUMBER: SB 510

NOTE PREPARED: Jan 25, 2007

BILL AMENDED:

SUBJECT: Property Tax Levies.

FIRST AUTHOR: Sen. Riegsecker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill increases a civil taxing's unit maximum permissible property tax levy based on the net increase in assessed value that results from new construction.

Effective Date: July 1, 2007.

Explanation of State Expenditures: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences.

Subject to appropriation, if all affected units utilize the entire maximum levy increase that would be allowed under this proposal, the cost of PTRC and Homestead Credits could increase by as much as \$2 M in FY 2008 (partial year), \$6 M in FY 2009 and \$6 M in FY 2010. The actual additional cost could be less than these estimates depending on the actual amount of the property tax levies imposed locally. PTRC and homestead credits are paid from the Property Tax Replacement Fund (PTRF).

Explanation of State Revenues:

Explanation of Local Expenditures: Additional levies will be eligible for local homestead credits in the 48 counties that have adopted a county homestead credit. However, the amount of the credits for CY 2008 and beyond cannot be accurately estimated as it depends on whether affected taxing units increase or decrease their levies. If this provision were to apply to taxing units in CY 2008 and all units increased their

levies to the maximum permitted, then for those 48 counties with the homestead credit, the estimated increase in local homestead credit expense would be approximately \$ 1.3 M.

Explanation of Local Revenues: Under this bill, beginning with taxes payable in CY 2008, civil unit maximum levies would be based on the net increase in assessed value that results from new construction. This provision would allow units to impose a levy that could be greater than the levy that is available to them under existing statute. The increase in the levy that could result from the proposal will depend on local action. This restoration would not apply to school transportation funds.

Assuming that each taxing unit fully utilizes its CY 2007 maximum levy under current law, the total CY 2008 maximum levy authority for civil units is estimated at \$2.9 B. This bill would increase those maximum levies for CY 2008 by about \$18 M. Increases were estimated in 606 out of 925 township firefighting funds and 1,316 of 2,125 unit-level maximum levies. Overall, 63% of maximum levies would increase.

Each local affected taxing unit would decide whether or not to increase its levy to use all or part of the increase in the limit. Under this proposal, if all maximum levies were fully utilized each year, gross property tax levies would increase by an estimated \$18 M in CY 2008, \$19 M in CY 2009, and \$20 M in CY 2010. Subject to PTRF appropriation, net levies after PTRC and Homestead Credits are paid would increase by an estimated \$13 M in CY 2008, \$13 M in CY 2009, and \$14 M in CY 2010 if all maximum levies are fully utilized.

The actual increase in net levies could, however, be less than these estimates subject to local levy decisions. The actual increase in net levies could also be greater than these estimates subject to state PTRF appropriations.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Civil Taxing Units.

Information Sources: Local Government Database.

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